

**REPORT OF THE AUDIT OF THE
SPENCER COUNTY
CLERK**

**For The Year Ended
December 31, 2008**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE SPENCER COUNTY CLERK

**For The Year Ended
December 31, 2008**

The Auditor of Public Accounts has completed the Spencer County Clerk's audit for the year ended December 31, 2008. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$28,909 from the prior year, resulting in excess fees of \$39,332 as of December 31, 2008. Revenues increased by \$199,096 from the prior year and expenditures increased by \$228,005

Lease Agreement:

Outstanding lease agreement total as of December 31, 2008 was \$40,535. Future principal and interest payments of \$40,535 are needed to meet this obligation.

Report Comment:

- The County Clerk Should Expend Public Funds For Allowable Purposes Only

Deposits:

The County Clerk's deposits were insured and collateralized by bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable David Jenkins, Spencer County Judge/Executive
The Honorable Judy Puckett, Spencer County Clerk
Members of the Spencer County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Spencer County, Kentucky, for the year ended December 31, 2008. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2008, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated June 26, 2009 on our consideration of the Spencer County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable David Jenkins, Spencer County Judge/Executive
The Honorable Judy Puckett, Spencer County Clerk
Members of the Spencer County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Clerk Should Expend Public Funds For Allowable Purposes Only

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Spencer County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

June 26, 2009

SPENCER COUNTY
JUDY PUCKETT, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2008

Revenues

HB 537 - State Revenue Supplement \$ 60,610

State Fees For Services 5,081

Fiscal Court 2,000

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers \$ 550,392

Usage Tax 920,739

Tangible Personal Property Tax 1,554,953

Lien Release Fees 12,418

Miscellaneous 644

Other-

Fish and Game Licenses 4,042

Marriage Licenses 3,159

Deed Transfer Tax 66,797

Delinquent Tax 343,076 3,456,220

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts 11,296

Real Estate Mortgages 39,442

Chattel Mortgages and Financing Statements 42,252

Liens & Lis Pendens 10,971

Powers of Attorney 1,761

Releases 8,956

Affordable Housing Trust 26,058

All Other Recordings 5,081

Charges for Other Services-

Candidate Filing Fees 590

Copywork 4,863

Postage 90 151,360

Other:

Miscellaneous 554

Interest Earned 2,092

Total Revenues 3,677,917

The accompanying notes are an integral part of this financial statement.

SPENCER COUNTY
 JUDY PUCKETT, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2008
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 395,301
Usage Tax	891,712
Tangible Personal Property Tax	567,802

Licenses, Taxes, and Fees-

Fish and Game Licenses	3,924
Delinquent Tax	37,662
Legal Process Tax	16,855
Affordable Housing Trust	<u>26,058</u>
	\$ 1,939,314

Payments to Fiscal Court:

Tangible Personal Property Tax	129,034
Delinquent Tax	28,417
Deed Transfer Tax	<u>63,457</u>
	220,908

Payments to Other Districts:

Tangible Personal Property Tax	794,986
Delinquent Tax	<u>193,167</u>
	988,153

Payments to Sheriff 2,297

Payments to County Attorney 51,924

Operating Expenditures:

Personnel Services-

Deputies' Salaries	203,477
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Employee Benefits-

Employer's Paid Health Insurance	23,806
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Contracted Services-

Microfilming & Indexing Records	54,658
Tax Bill Preparation	3,850
New Equipment	1,621

Materials and Supplies-

Office Supplies & Equipment	21,765
Deed, Mortgage Books, etc.	9,992
Office Repairs/Cleaning	4,656

The accompanying notes are an integral part of this financial statement.

SPENCER COUNTY
 JUDY PUCKETT, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2008
 (Continued)

Operating Expenditures: (Continued)

Other Charges-		
Refunds	\$ 4,431	
Election Expense	11,035	
Postage	9,850	
Dues and Memberships	1,761	
Miscellaneous	<u>4,368</u>	<u>\$ 355,270</u>
Total Expenditures		<u>\$ 3,557,866</u>
Less: Disallowed Expenditures		
Memberships	(210)	
Advertising	<u>(215)</u>	<u>(425)</u>
Total Allowable Expenditures		<u>3,557,441</u>
Net Revenues		120,476
Less: Statutory Maximum		<u>74,020</u>
Excess Fees		46,456
Less: Expense Allowance	3,600	
Training Incentive Benefit	<u>3,524</u>	<u>7,124</u>
Excess Fees Due County for 2008		39,332
Payments to Fiscal Court - January 20, 2009	25,000	
March 12, 2009	<u>13,907</u>	<u>38,907</u>
Balance Due Fiscal Court at Completion of Audit		<u>\$ 425</u>

The accompanying notes are an integral part of this financial statement.

SPENCER COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2008 services
- Reimbursements for 2008 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2008

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

SPENCER COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent for the first six months and 13.50 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Spencer County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Spencer County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

SPENCER COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 4. Libraries and Archives Grant

The Spencer County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$12,200. Interest totaling \$20 was received during the year. The unexpended grant balance was \$12,220 as of December 31, 2008.

Note 5. Lease Agreement

The Spencer County Clerk was committed to a lease agreement with Software Management for computer hardware and software. The agreement requires a monthly payment of \$3,685 for 60 months to be completed in April 2010. The total balance of the agreement was \$40,535 as of December 31, 2008.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable David Jenkins, Spencer County Judge/Executive
The Honorable Judy Puckett, Spencer County Clerk
Members of the Spencer County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Spencer County Clerk for the year ended December 31, 2008, and have issued our report thereon dated June 26, 2009 . The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Spencer County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Spencer County Clerk's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Spencer County Clerk's financial statement for the year ended December 31, 2008, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The County Clerk Should Expend Public Funds For Allowable Purposes Only

This report is intended solely for the information and use of management, the Spencer County Fiscal Court, and the Department of Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', written in a cursive style.

Crit Luallen
Auditor of Public Accounts

June 26, 2009

COMMENT AND RECOMMENDATION

SPENCER COUNTY
JUDY PUCKETT, COUNTY CLERK
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2008

STATE LAWS AND REGULATIONS:

The County Clerk Should Expend Public Funds For Allowable Purposes Only

Test procedures over expenditures revealed purchases that are not considered allowable per Technical Audit Bulletin 93-001. Additionally, KRS 64.850 prohibits fee officials from expending “public funds for any purpose other than that for which they were received....”

The following expenditures are considered unallowable:

- Sam’s Club Memberships - \$210
- Advertising - \$215

We recommend the County Clerk deposit personal funds in the amount of \$425 into the fee account to reimburse the account for the disallowed expenditures. The funds deposited into the fee account should then be paid to Fiscal Court for additional excess fees. We further recommend the County Clerk expend fee account monies for allowable purposes only, as defined in Technical Audit Bulletin 93-001 and KRS 64.850.

County Clerk’s Response: No Response

